

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

**MAIL PROCESSING NETWORK
RATIONALIZATION SERVICE CHANGES, 2012**

Docket No. N2012-1

**INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE TO
AMERICAN POSTAL WORKERS UNION, AFL-CIO INTERROGATORY,
REDIRECTED FROM WITNESS BRADLEY (APWU/USPS-T10-7)
(March 22, 2012)**

The United States Postal Service hereby provides an institutional response to the above-listed interrogatory of the American Postal Workers Union (APWU), AFL-CIO, dated February 2, 2012, redirected from Witness Bradley (USPS-T-10). The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

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APWU/USPS-T10-7. In Audit Report NL-AR-11-003 issued on June 7, 2011, the OIG determined that the Postal Service incurred more than \$48 million in excess fuel costs for purchases of excess fuel and more than \$2 million in excess fuel costs for unauthorized grades of fuel purchased by HCRs over a two year period (2008/2009 and 2009/2010). The OIG Report also found that “the Postal Service has not established effective controls to ensure that management properly conducted annual reconciliations...to ensure HCR suppliers did not exceed the contractually allowed fuel gallons.” In addition, the OIG reported that the Postal Service stated that the program that resulted in these problems “was the best FMP [Fuel Management Program] option at the time” and that the Postal Service “has not conducted a comprehensive examination of the [program].

- a) Has the Postal Service counted the excess fuel costs incurred by the Postal Service’s fuel program for HCR contractors as part of the cost of HCR contracts?
- b) If not, is the fuel cost for the HCR contracts assumed to be within contract limits?
- c) In estimating the cost of possible HCR routes for purposes of determining the potential savings from HCRs, what cost, if any, did the Postal Service assume would be incurred for excess fuel purchases and for purchases of unauthorized grades of fuel?

RESPONSE:

- a. It is possible that some excess fuel costs are included in the cost of the HCR contracts. The excess fuel costs are paid to the contractor but the Postal Service has a recovery process through which it does get the money back. The recovery process may take place within the same fiscal year or it may spill over into the next fiscal year. This means that the accrued HCR costs in any given year may include some excess fuel costs for that year as well as some recovery of excess fuel costs from the previous year. Please note that the fuel costs of 50 million dollars mentioned in this question, even if completely unrecovered, are a very small part of the FY2010 accrued purchased highway transportation costs of over 3 billion dollars.

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- b. Not applicable
- c. The Postal Service assumed that the accrued purchased highway transportation costs were equal to their actual recorded value as identified in the Postal Rate Commissions' Annual Compliance Determination. To the extent those costs include any recovery of excess fuel costs from the previous year or unrecovered excess fuel costs from the current year, they would be included.